

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 728 - SB 1091

March 12, 2023

SUMMARY OF BILL: Creates the *Tennessee Fair Access to Financial Services Act*. Requires a financial institution to make each financial service it offers available to each person in the geographic market served by the financial institution on a non-discriminatory basis. Requires institutions to approve or deny a person solely based on quantitative impartial risk-based financial standards that must be previously established by the financial institution. Prohibits financial institutions from denying a person a financial service if the effect of the denial is to prevent the person from competing in market or business segment or limit the person in such a way that benefits another person or business activity that the financial institution has a financial interest.

Requires a financial institution that utilizes standards or guidelines based on non-financial, non-traditional, or subjective criteria, such as environmental, social, and governance scores or diversity, equity, and inclusion policies, to disclose to the Department of Financial Institutions (DFI) the specific standards, guidelines, and criteria used by the financial institution to determine access or denial of a financial service to a person and to provide such a person denied a financial service a disclosure with the specific information, or criteria used to support the denial.

Declares that a violation of this act is subject to a fine of \$10,000 and that five or more violations within a year is a Class A misdemeanor. Requires the DFI to promulgate rules and enforce the provisions of this act.

FISCAL IMPACT:

Increase State Expenditures –

**\$115,900/FY23-24/Department of Financial Institutions
\$115,100/FY24-25 and Subsequent Years/
Department of Financial Institutions**

Assumptions:

- Based on information provided by the DFI, the proposed legislation cannot be accommodated within existing resources. The DFI will require one new bank financial analyst position to conduct operations necessary to enforce the act and to train DFI examiners on the new requirements and the business practices of additional financial institutions not currently under the department's regulatory purview.

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- The one-time increase in state expenditures associated with the position is estimated to be \$817 for supplies.
- The recurring increase in state expenditures associated with the position is estimated to be \$115,118 [(\$89,496 salary + \$22,190 benefits + \$3,432 supplies, training, and professional services) x 1 position].
- There will be a total increase in state expenditures of \$115,935 (\$115,118 + \$817) in FY23-24.
- A recurring increase in state expenditures of \$115,118 in FY24-25 and subsequent years.
- The proposed legislation is not expected to result in a significant increase in the caseloads or administrative burden of state or local courts.
- All other provisions of the act pertain to the financial institutions and private parties. As such, any impacts from those provisions will be borne by the relevant private parties.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- Due to multiple unknown factors associated with each financial institution, such as the current standards utilized by each institution for determining if a person is eligible for its financial services, or how each institution may be affected by offering services to persons who are newly eligible, or the increase in particular financial services to be offered, the precise impact cannot be quantified with reasonable certainty.
- However it is assumed that any increase in expenditures for expanding services to persons that would have been previously denied would be offset by an increase in revenue from providing the services to additional persons. Further it is assumed that persons denied at one financial institution may be approved at another financial institution creating a not significant net impact to jobs and commerce in TN.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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